

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 EB-08 OPIC-03 OMB-01 COM-02

TRSY-02 CIAE-00 INR-07 NSAE-00 SP-02 /051 W

-----021902Z 028554 /66

R 011707Z APR 77

FM US MISSION EC BRUSSELS

TO SECSTATE WASHDC 3448

INFO ALL EC CAPITALS

USMISSION GENEVA

USMISSION OECD PARIS

USMISSION USUN NEW YORK

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DEPT PASS OPIC

E. O. 11652: N/A

TAGS: EEC EINV EFIN EMIN OPIC

SUBJECT: EC CONSIDERATION OF INVESTMENT INSURANCE SCHEME

REF: (A) EC BRUSSELS 1147, (B) EC BRUSSELS A-064

(C) EC BRUSSELS 1479

1. COMMISSION OFFICIALS IN DIRECTORATE GENERAL FOR INDUSTRY
GAVE MISSION THE FOLLOWING INTERIM ASSESSMENT ON EC EFFORTS
TO CREATE AN INVESTMENT INSURANCE SCHEME FOR EC FIRMS
OPERATING IN LDCS AND ON COOPERATION WITH USG FOR SUCH A SCHEME.

2. A RECENT COUNCIL WORKING GROUP MEETING MADE SOME PROGRESS,
DESPITE FRG HESITANCY, TOWARDS A POSSIBLE EC INVESTMENT
GUARANTEE SCHEME FOR LDCS. THE STAFF EXPECTS TO HAVE A
PROPOSAL READY FOR THE EC COMMISSION CONSIDERATION IN JUNE.
THIS WILL CONTAIN AN ANALYSIS OF THE ISSUES AS WELL AS OUTLINE
ALTERNATIVE SOLUTIONS.

3. AT THE MOMENT, THE COMMISSION STAFF IS UNSURE WHETHER IT

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WILL FAVOR REINSURANCE OR A DIRECT INSURANCE SCHEME.
THE COMMISSION RESPONSIBLE FOR DEVELOPMENT QUESTIONS,
CHEYSSON, IS LEANING TOWARDS REINSURANCE BECAUSE THIS
WOULD BE EASIER TO IMPLEMENT. A REINSURANCE SCHEME
WOULD COMPLEMENT NATIONAL SCHEMES WHILE DIRECT
INSURANCE MIGHT COMPETE WITH MEMBER STATE PROGRAMS.
THE FRG FAVORS LIMITING POSSIBLE EC INVESTMENT

GUARANTEES TO MINING OPERATIONS. THIS, HOWEVER, WOULD INCREASE THE RISK BECAUSE MINING HAS BEEN PARTICULARLY VULNERABLE TO EXPROPRIATION IN THE PAST. THE GROUP HAS NOT YET REACHED A CONSENSUS ON THE POSSIBLE COVERAGE OF AN INVESTMENT SCHEME.

4. PRESSURE FOR EC ACTION CONTINUES TO COME FROM THE EC MINING INDUSTRY WHICH PRESENTED THE GROUP WITH A BLEAK REPORT ON THE LEVEL OF EC MINING INVESTMENT IN LDCS. FOR THE PAST TEN YEARS NEW INVESTMENT IN THIS AREA HAS STAGNATED AT ABOUT \$500 MILLION PER YEAR. THE INDUSTRY CLAIMS THAT INVESTMENT SHOULD BE FOUR TIMES GREATER IF SUPPLY REQUIREMENTS ARE TO BE MET AT REASONABLE PRICES IN THE NEXT TWENTY YEARS.

5. THE WORKING GROUP ALSO DISCUSSED BROADENING FINANCIAL SOURCES FOR RAW MATERIALS INVESTMENTS IN THE LDCS. THE GROUP IS CONSIDERING POSSIBLE PARTICIPATION OF THE WORLD BANK GROUP, REGIONAL DEVELOPMENT BANKS, THE EUROPEAN INVESTMENT BANK, AND EUROPEAN DEVELOPMENT FUND AS POSSIBLE SOURCES OF ADDITIONAL FINANCING.

6. THE COMMISSION STAFF REMAINS RECEPTIVE TO THE IDEA OF COOPERATING WITH THE US IN DEVELOPING A COMMON APPROACH TOWARD INVESTMENT INSURANCE. THEY HAVE DELAYED REPLYING TO THE US PROPOSAL TO DISCUSS SUCH COOPERATION, HOWEVER, BECAUSE THEY WANT TO HAVE A CLEARER IDEA OF MEMBER STATE VIEWS AND POSSIBLE LIMITED OFFICIAL USE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LESS DEVELOPED COUNTRIES, INTERGOVERNMENTAL COOPERATION, INVESTMENT GUARANTEES
Control Number: n/a
Copy: SINGLE
Sent Date: 01-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ECBRU03260
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770115-0233
Format: TEL
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770499/aaaadikt.tel
Line Count: 98
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 748107ac-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 EC BRUSSELS 1147, 77 EC BRUSSELS A-64, 77 EC BRUSSELS 1479
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2930112
Secure: OPEN
Status: NATIVE
Subject: EC CONSIDERATION OF INVESTMENT INSURANCE SCHEME
TAGS: EINV, EFIN, EMIN, XT, US, EEC, OPIC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/748107ac-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009